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SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

Summary

[¶1.](#) (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

- [¶A.](#) Economic Crisis Affecting Exports
- [¶B.](#) Foreign Investment Down 45 Percent
- [¶C.](#) Online Travel Booking System By 2010
- [¶D.](#) Brokers Create Guarantee Fund For Non-Commercial Risks
- [¶E.](#) Low Inflation Rate Despite Rising Consumer Basket

Economic Crisis Appears Restricted To Exports

[¶2.](#) (U) On April 30, Tunisia's Central Bank Governor Taoufik Baccar gave a press conference reviewing recent indicators on the impact of the global financial crisis on the national economy. He said that the negative effects were concentrated on the export sector so far, especially raw materials and some primary industries. Over the first four months of 2009, total exports fell 19.7 percent, energy exports dropped by 50 percent and phosphate and byproducts 54 percent. (COMMENT: Baccar did not specify whether these figures were volume or value of exports, though the figures are likely referring to value. End Comment.) The decline, he said, is as a result of a downward trend in world prices for these products. In addition, he noted olive oil exports fell by 52 percent, mechanical and electrical industries 15.7 percent and textile-clothing products 16 percent.

[¶3.](#) (SBU) Baccar said that Tunisia's macroeconomic balance sheet is under control. The current deficit is currently 0.4 percent, down from 0.6 percent last year. The inflation rate reached 3.2 percent in April, down from 5.8 percent in 2008. According to Baccar, tourism sector revenues rose 3.6 percent and Tunisian expatriates' remittances rose 8.3 percent year-on-year. However, according to the Central Bank, the Tunisian Dinar also depreciated six percent relative to the US dollar year-on-year for April. According to a financial analyst we know, it is likely remittance receipts are actually negative.

[¶4.](#) (U) The banking sector did well in 2008 and over the first quarter of 2009, according to Baccar. Banks' own funds rose by 500 million TND, non-performing loans rate declined to 15.2 percent, down from 17.3 in 2007, which allowed the coverage of classified debts by resources to reach 57.5 percent. He added that planned

reforms are continuing and that the coming merger of three Tunisian and Libyan banks is expected to result in a regional banking hub.

Foreign Investment Down 45 Percent

15. (U) According to the Tunisian Foreign Investment Promotion Agency (FIPA), total foreign investment decreased 45 percent over the first quarter of 2009 compared to the same period last year (TND 408.6 million (US \$289.7 million), down from TND 742.7 million (US \$609.01 million)). Foreign direct investment decreased 43.6 percent, TND 401.2 million (US \$284.45 million) down from TND 710.9 million (US \$582.94 million), and investment in portfolio fell 76.7 percent, TND 7.4 million (roughly US \$5.25 million) down from TND 31.8 million (approximately US \$26 million). Over the mentioned period of 2009, most FDI was in the energy sector, TND 280 million (US \$198.52 million), followed by manufacturing, TND 92 million (US \$65.228 million), tourism, TND 19 million (US \$13.471 million), services TND 8 million (US \$5.672 million) and agriculture TND 2 million (USD 1.418 million). The target set by FIPA for 2009 is TND 2 billion (US \$1.418 billion) total FDI. (Comment: this very optimistic target likely takes into account some large rumored projects which may come about in 2009-2010 - Emirati construction of a sports city and a Czech-funded Sea World complex. End comment.)

GOT To Implement Online Travel Booking System By 2010

16. (U) The Tunisian Tourism Ministry will partner with a private investor to set up online services for travelers so they can research, plan, and book their travel through a web portal. The project was announced by Minister of Tourism Laajimi on April 30 during the 37th annual meeting of the National Tunisian Tourism Office representatives abroad. Laajimi said that Tunisia will be able to benefit from its own network and will no longer be dependent on international tour operators such as the British company Thomas Cook or the German company TUI, which, he added, brought little to Tunisia and "whose only motivation is money." Laajimi accused Thomas Cook of eliminating several of its services in Tunisia in favor of other destinations. The British Ambassador told Emboffs earlier this year that British tourism was down 70 percent.

17. (U) Tourism statistics for the first four months of 2009 are satisfying, according to Laajimi. He said approximately 1.654 million tourists have visited Tunisia, a figure that represents a 2.2 percent increase compared to the same period in 2008. Revenues reached the equivalent of US \$578.151 million, an increase of 2.3 percent regarding earnings in hard currencies. Hotel occupancy decreased by 3.2 percent, however. Laajimi said this decrease was a consequence of measures put in place to attract higher income (and higher spending) tourists. The Deputy Tourism Minister said during the opening of a tourism fair on May 14 that the sector would be an important source of foreign revenue that would offset losses in other parts of the economy. He said Tunisia has profited from last-minute bookings, as European tourists have been choosing the Mediterranean as a preferred destination, rather than going further afield. (Comment: While we have no reason to doubt that tourism figures are up so far this year, the numbers probably represent Algerian and Libyan tourists. Algerians are known to avoid hotels in favor of apartments. The real test for Tunisia's tourism industry will come in the peak summer months, when European visitors usually descend on Tunisia's beach resorts. End Comment).

Brokers Create Guarantee Fund for Non-Commercial Risks

18. (U) On May 7, the quasi-official Tunis-Afrique Press Agency (TAP) announced the creation of a guarantee fund against non-commercial risks by Tunis Stock Exchange (BVMT) broker company members. The main objectives of the fund are limited protection against loss in the event of broker bankruptcy. If a broker fails to honor the settlement commitment, the fund promises to fulfill the commitment toward the investor and complete all settlements without disruption. To supply the fund, the BVMT will levy a five percent charge on stock trades, and each broker member will contribute one

thousand dinars (US \$709) annually. In the event of loss, investors would receive partial compensation, regardless of accounts owned, equivalent to a maximum of US \$21,000 or 90 percent of the settlement value. TAP noted this model was based on the French system.

Low Inflation Rate Despite Rising Consumer Basket

¶9. (U) According to the National Statistics Institute (INS), inflation reached 3.2 percent in April 2009, down from 5.2 percent recorded the same month last year. This decrease is largely due to the downward trend in international energy and commodity prices. However, a recent survey from the National Observatory of Supply and Prices (ONAP), under the Ministry of Commerce, showed that consumer basket prices rose 10.8 percent over the first quarter of 2009, compared to the same period last year, and 17.3 percent compared to ¶2006. Most significant increases by group of products were canned food (22.3 percent), spices (10 percent), and body care (5.1 percent). On the other hand, edible oil prices decreased 18 percent, chocolate 11 percent and detergent 6 percent. The survey noted that prices were 20 percent higher in small shops than in supermarkets. The ONAP explains that its survey is based on 705 items of current consumption available in supermarkets and retail points.

Comment

¶10. (U) The GOT has made some public acknowledgements of the effect of the economic crisis on Tunisia, all of them measured and denoting limited effects. While true that Tunisia is not experiencing a rapid, large-scale contraction of the economy, there are significant signs of an economy affected by the recession in its largest trading partner, the European Union. In addition, it is too early to evaluate the toll on tourism, which may only be felt in the peak season (June-August). Post will be following and reporting on the tourism sector this summer. We expect the true extent of the crisis to remain under-reported in the media and by GOT officials. By the same token, reporting statistics on remittances without taking into account currency depreciation, has helped mask some relatively bleak numbers. End Comment.

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